

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of	)	
	)	
American Telecommunications Systems, Inc.	)	IC No. 01-S52114
	)	
Complaint Regarding	)	
Unauthorized Change of	)	
Subscriber's Telecommunications Carrier	)	

**ORDER**

**Adopted: March 18, 2002**

**Released: March 19, 2002**

By the Chief, Consumer Information Network Division, Consumer Information Bureau:

1. In this Order, we consider the complaint<sup>1</sup> alleging that American Telecommunications Systems, Inc. (ATS) changed Complainant's telecommunications service provider without obtaining authorization and verification from Complainant in violation of the Commission's rules.<sup>2</sup> We conclude that ATS's actions did result in an unauthorized change in Complainant's telecommunications service provider and we grant Complainant's complaint.

2. In December 1998, the Commission released the *Section 258 Order* in which it adopted rules to implement Section 258 of the Communications Act of 1934 (Act), as amended by the Telecommunications Act of 1996 (1996 Act).<sup>3</sup> Section 258 prohibits the practice of

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<sup>1</sup> Informal Complaint No. IC 01-S52114 (April 19, 2001).

<sup>2</sup> See 47 C.F.R. §§ 64.1100 – 64.1190.

<sup>3</sup> 47 U.S.C. § 258(a); Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996); *Implementation of the Subscriber Carrier Selection Changes Provisions of the Telecommunications Act of 1996; Policies and Rules Concerning Unauthorized Changes of Consumers' Long Distance Carriers*, CC Docket No. 94-129, Second Report and Order and Further Notice of Proposed Rule Making, 14 FCC Rcd 1508 (1998) (*Section 258 Order*), *stayed in part*, *MCI WorldCom v. FCC*, No. 99-1125 (D.C. Cir. May 18, 1999); First Order on Reconsideration, 15 FCC Rcd 8158 (2000); *stay lifted*, *MCI WorldCom v. FCC*, No. 99-1125 (D.C. Cir. June 27, 2000); Third Report and Order and Second Order on Reconsideration, 15 FCC Rcd 15996 (2000), Errata, DA No. 00-2163 (rel. Sept. 25, 2000), Erratum, DA No. 00-2192 (rel. Oct. 4, 2000), Order, FCC 01-67 (rel. Feb. 22, 2001); *reconsideration pending*. Prior to the adoption of Section 258, the Commission had taken various steps to address the slamming problem. See, e.g., *Policies and Rules Concerning Unauthorized Changes of Consumers' Long Distance Carriers*, CC Docket No. 94-129, Report and Order, 10 FCC Rcd 9560 (1995), *stayed in part*, 11 FCC Rcd 856 (1995); *Policies and Rules Concerning Changing Long Distance Carriers*, CC Docket No. 91-64, 7 FCC Rcd 1038 (1992), *reconsideration denied*, 8 FCC Rcd 3215 (1993); Investigation of Access and Divestiture Related Tariffs, CC Docket No. 83-1145, Phase I, 101 F.C.C.2d 911, 101 F.C.C.2d 935, *reconsideration denied*, 102 F.C.C.2d 503 (1985).

“slamming,” the submission or execution of an unauthorized change in a subscriber’s selection of a provider of telephone exchange service or telephone toll service.<sup>4</sup> In the *Section 258 Order*, the Commission adopted aggressive new rules designed to take the profit out of slamming, broadened the scope of the slamming rules to encompass all carriers, and modified its existing requirements for the authorization and verification of preferred carrier changes. The rules require, among other things, that a carrier receive individual subscriber consent before a carrier change may occur.<sup>5</sup> Pursuant to Section 258, carriers are absolutely barred from changing a customer’s preferred local or long distance carrier without first complying with one of the Commission’s verification procedures.<sup>6</sup> Specifically, a carrier must: (1) obtain the subscriber’s written or electronically signed authorization in a format that meets the requirements of Section 64.1130 authorization; (2) obtain confirmation from the subscriber via a toll-free number provided exclusively for the purpose of confirming orders electronically; or (3) utilize an independent third party to verify the subscriber’s order.<sup>7</sup>

3. The Commission also has adopted liability rules. These rules require the carrier to absolve the subscriber where the subscriber has not paid his or her bill. In that context, if the subscriber has not already paid charges to the unauthorized carrier, the subscriber is absolved of liability for charges imposed by the unauthorized carrier for service provided during the first 30 days after the unauthorized change.<sup>8</sup> Where the subscriber has paid charges to the unauthorized carrier, the Commission’s rules require that the unauthorized carrier pay 150% of those charges to the authorized carrier, and the authorized carrier shall refund or credit to the subscriber 50% of all charges paid by the subscriber to the unauthorized carrier.<sup>9</sup>

4. We received Complainant’s complaint on April 19, 2001 alleging that Complainant’s long distance provider had been changed from ALLTEL Corporation (ALLTEL) to ATS without Complainant’s authorization. Pursuant to Sections 1.719 and 64.1150 of our rules,<sup>10</sup> we notified ATS of the complaint and ATS responded on June 13, 2001.<sup>11</sup> ATS

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<sup>4</sup> 47 U.S.C. § 258(a).

<sup>5</sup> See 47 C.F.R. § 64.1120.

<sup>6</sup> 47 U.S.C. § 258(a).

<sup>7</sup> See 47 C.F.R. § 64.1120(c). Section 64.1130 details the requirements for letter of agency form and content for written or electronically signed authorizations. 47 C.F.R. § 64.1130.

<sup>8</sup> See 47 C.F.R. §§ 64.1140, 64.1160. Any charges imposed by the unauthorized carrier on the subscriber for service provided after this 30-day period shall be paid by the subscriber to the authorized carrier at the rates the subscriber was paying to the authorized carrier at the time of the unauthorized change. *Id.*

<sup>9</sup> See 47 C.F.R. §§ 64.1140, 64.1170.

<sup>10</sup> 47 C.F.R. § 1.719 (Commission procedure for informal complaints filed pursuant to Section 258 of the Act); 47 C.F.R. § 64.1150 (procedures for resolution of unauthorized changes in preferred carrier).

<sup>11</sup> American Telecommunications Systems, Inc. Response to Informal Complaint No. IC 01-S52114 (June 13, 2001) (*American Telecommunications Systems, Inc.*).

concedes that the Complainant did not give them authorization for a change in long distance service provider. ATS stated that the Complainant's long distance service provider was switched when another customer mistakenly gave the Complainant's line as one of their business lines. We find that ATS has failed to produce clear and convincing evidence that Complainant authorized a carrier change.<sup>12</sup> Therefore, we find that ATS's actions resulted in an unauthorized change in Complainant's long distance provider and we discuss ATS's liability below.<sup>13</sup>

5. Pursuant to Section 64.1170(b) our rules, ATS must forward to ALLTEL an amount equal to 150% of all charges paid by the subscriber to ATS.<sup>14</sup> According to the complaint, the amount paid by Complainant to ATS is \$31.49. This amount multiplied by 150% equals \$47.24. Therefore, ATS must forward to ALLTEL the amount of \$47.24, along with copies of any telephone bills issued from the company to the Complainant.<sup>15</sup> Within ten days of receipt of this amount, ALLTEL shall provide a refund or credit to Complainant in the amount of 50% of all charges paid by Complainant to ATS. Complainant has the option of asking ALLTEL to re-rate ATS's charges based on ALLTEL's rates and, on behalf of Complainant, seek from ATS any re-rated amount exceeding 50% of all charges paid by the Complainant to ATS. ALLTEL must also send a notice to the Commission, referencing this Order, stating that it has given a refund or credit to Complainant.<sup>16</sup> If ALLTEL has not received the reimbursement required from ATS within 45 days of the release of this Order, ALLTEL must notify the Commission and Complainant accordingly. ALLTEL also must notify the Complainant of his or her right to pursue a claim against ATS for a refund of all charges paid to ATS.<sup>17</sup>

6. Accordingly, IT IS ORDERED that, pursuant to Section 258 of the Communications Act of 1934, as amended, 47 U.S.C. § 258, and Sections 0.141, 0.361 and 1.719 of the Commission's rules, 47 C.F.R. §§ 0.141, 0.361, 1.719, the complaint filed against ATS IS GRANTED.

7. IT IS FURTHER ORDERED that, pursuant to Section 64.1170(b) of the Commission's rules, 47 C.F.R. § 64.1170(b), that ATS must forward to ALLTEL an amount equal to \$47.24 (150% of all charges paid by the subscriber) along with copies of any telephone bills issued from the company to the Complainant within ten (10) days of the release of this

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<sup>12</sup> See 47 C.F.R. § 64.1150(d).

<sup>13</sup> If Complainant is unsatisfied with the resolution of this complaint, Complainant may file a formal complaint with the Commission pursuant to Section 1.721 of the Commission's rules, 47 C.F.R. § 1.721. Such filing will be deemed to relate back to the filing date of Complainant's informal complaint so long as the formal complaint is filed within 45 days from the date this order is mailed or delivered electronically to Complainant. See 47 C.F.R. § 1.719.

<sup>14</sup> 47 C.F.R. § 64.1170(b).

<sup>15</sup> *Id.*

<sup>16</sup> See 47 C.F.R. § 64.1170(c).

<sup>17</sup> See 47 C.F.R. § 64.1170(e).

order.

8. IT IS FURTHER ORDERED that this Order is effective upon release.

FEDERAL COMMUNICATIONS COMMISSION

Jack L. Forsythe, Chief  
Consumer Information Network Division  
Consumer Information Bureau